

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

April 13, 2009
6:00 p.m.

Council Conference Room 1E-113
Bellevue, Washington

PRESENT: Mayor Degginger, Deputy Mayor Balducci, and Councilmembers Bonincontri, Chelminiak, Davidson, Lee, and Noble

ABSENT: None.

1. Executive Session

Councilmember Chelminiak called the meeting to order at 6:00 pm., and announced recess to Executive Session for approximately 20 minutes to address one item of property acquisition.

The meeting resumed at 6:26 p.m., with Mayor Degginger presiding.

2. Oral Communications

(a) Bill Hirt expressed concern that Eastside residents are being unfairly burdened by Sound Transit, the Washington State Department of Transportation, and state legislators with regard to the SR 520 tolling proposal. He noted during the past 15 years, Eastside residents have contributed more than 40 percent of all Sound Transit funds, and this money was to be spent on Eastside projects. However at the end of 2008, Sound Transit's capital expenditures in Seattle totaled nearly \$3 billion. Total expenditures on the Eastside were less than \$400 million. Mr. Hirt said work on the East Link light rail project will not begin for several years. He feels there is no reason that Sound Transit funds should not be used to avoid tolls on the SR 520 bridge. He is concerned that state legislators are not looking out for their constituents.

(b) Ian Elliott advocated for a small skate park in Ashwood Park in Bellevue.

3. Study Session

(a) Council Business and New Initiatives

No new initiatives were discussed.

(b) National Pollutant Discharge Elimination System (NPDES) Phase II Permit
Regulatory Options

City Manager Steve Sarkozy opened discussion regarding the National Pollutant Discharge Elimination System (NPDES) Phase II permit regulatory options for projects disturbing less than one acre.

Phyllis Varner, NPDES Permit Coordinator, recalled that two options for applying NPDES Phase II permit regulations to projects disturbing less than one acre were presented to the Council on March 23. On April 2, the Environmental Services Commission held an open house and public meeting on the two options.

The NPDES Phase II Permit requires municipalities to adopt the 2005 Washington State Department of Ecology Manual stormwater standards for development projects disturbing one or more acres. For projects disturbing less than one acre, the permit provides two regulatory options. Option 1 adopts the 2005 Ecology Manual stormwater standards, resulting in one citywide stormwater standard for projects of any size. Option 2 retains the existing stormwater standards (1992 Ecology Manual), resulting in two different stormwater standards depending on the size of project.

Ms. Varner referred Council to Attachment 3 of the meeting packet materials [Page 3-17] for the Environmental Service Commission's transmittal of the public meeting comments and the Commission's recommendation. Option 1 is recommended by the Commission, staff, and the majority of public comments received. The citizens providing comment said they support Option 1 because it provides consistent regulatory policies for all projects. It is anticipated that the 2005 Ecology Manual stormwater standards will ultimately be required with the next permit application. The Commission favors Option 1 because it provides a consistent regulatory framework, eliminates the cost and resources involved in administering two sets of standards until the next permit renewal, and increases environmental stewardship. In addition, it appears that only a small percentage of projects involving less than one acre would benefit from the current standards (Option 2).

Ms. Varner said staff supports Option 1 based on its analysis of the policy considerations [Page 3-5 of meeting packet]. Option 1 provides greater benefits than Option 2, although development costs are higher for some projects. After receiving Council direction tonight staff will complete the draft NPDES Code revisions package, which will be presented during an open house and the Environmental Services Commission meeting on June 4. Staff will return to Council in July to review the Code revisions package as well as the Commission's recommendations and public comments. Council action will be requested on August 3.

Deputy Mayor Balducci thanked staff for conducting the additional public outreach with the Environmental Services Commission. Responding to Ms. Balducci, Ms. Varner confirmed that the citizen in favor of Option 2 stated that he did not believe that following two standards created additional work for staff. He did not state a benefit to using Option 2. He commented that many

commercial projects are less than one acre, which is not the case. Ms. Varner explained that a review of 2007 permits found that 21 of 114 developer permits involved projects smaller than one acre.

Councilmember Davidson said the open house was well attended. Informal comments indicated to him that smaller property developers would prefer to stay with current regulations. Dr. Davidson expressed support for the Commission's recommendation.

Responding to Councilmember Lee, Ms. Varner said a small percentage of projects disturbing less than one acre will trigger the 2005 Ecology Manual requirements. The review of 2007 permits indicated that only 10 percent of projects would have triggered additional costs. However, in some instances the cost increases could be significant. In further response, Ms. Varner said the permit process provides opportunities for addressing economic hardship and mitigation issues.

Responding to Councilmember Chelminiak, Ms. Varner said under Option 1, a small percentage of single-family development and redevelopment could be required to provide stormwater detention.

Utilities Director Denny Vidmar explained that the threshold of disturbance for a single-family project with Option 1 is 5,000 square feet, and the threshold under Option 2 is 10,000 square feet. It would therefore have to be a very large house to trigger the Option 1 stormwater standards. In these instances, there is also the opportunity for design changes to reduce the extent of disturbance, for example using pervious pavement instead of hard surface pavement.

Responding to Mayor Degginger, Ms. Varner confirmed that the City is in the third year of a five-year permit. If the City does not adopt the 2005 standards for smaller projects now, it is likely they will be required with the next permit renewal.

Responding to Mr. Degginger, Ms. Varner said that all Phase I permit cities will be required to adopt the 2005 Ecology Manual standards citywide. Eight of the 10 Eastside Phase II permit cities are proposing to adopt the 2005 standards, with the exception of Mercer Island and Issaquah.

Councilmember Chelminiak asked staff to provide an example of the impact on a multifamily project. Ms. Varner responded that in approximately 2004, a consultant calculated rough cost estimates. For a project with an estimated construction cost of \$3,270,000, under the current stormwater standards the cost of stormwater requirements was \$16,000 (0.5 percent of total project costs). Under the new standards, that cost increased to \$151,000 (5 percent of total project costs).

Responding to Councilmember Davidson, Ms. Varner confirmed that the central business district is exempt from these standards. As an example, Meydenbauer Convention Center has direct discharge into the lake and is exempt from flow control under both the current standards and the 2005 Ecology Manual standards. The Center is required to provide water quality treatment.

Councilmember Bonincontri expressed support for Option 1, given that the City will most likely be required to adopt the 2005 Ecology Manual standards with the next NPDES permit renewal. She suggested that development activity will be slower over the next couple of years, resulting in few opportunities for cost impacts.

Responding to Mayor Degginger, Mr. Sarkozy said staff will provide additional information as requested by Councilmember Chelminiak and bring the issue back next week.

Councilmember Lee said he would like information on the mitigation options available to developers and residents. He feels the cost increase illustrated in the multifamily development example is significant, and he would like developers to have the ability to lower costs through mitigation measures.

Acknowledging that the regulations are required, Councilmember Chelminiak requested information on the benefits of the required practices in terms of the additional environmental protection to nearby neighbors.

(c) Strategy for Affordable Housing

Mr. Sarkozy opened discussion regarding the housing work program, including the consideration of incentives for affordable housing. The Council has made it clear that promoting affordable housing is a priority. However, there are relatively few tools in place to address issue. The City currently supports housing projects through its involvement with ARCH (A Regional Coalition for Housing). The purpose of tonight's discussion is to discuss the work program and the potential use of the State-authorized multifamily tax exemption.

Planning Director Dan Stroh recalled that on October 15, 2007, the Council provided direction on a two-phase affordable housing work program, which includes in the first phase the issues of Bel-Red corridor incentive zoning and the multifamily tax exemption. The Council updated its priorities for the use of Bellevue's Housing Trust Fund on March 24, 2008. In addition, the Bel-Red Subarea Plan adopted on February 17, 2009, includes aggressive targets for affordable and workforce housing. The zoning incentive system identifies affordable housing as a first tier incentive.

Mr. Stroh described the second phase of the housing work program which will include the review and refinement of existing voluntary affordable housing incentives, existing accessory dwelling unit regulations, innovative housing demonstration projects, a parking adjustment for affordable housing based on a needs study, and ARCH priority housing strategies. Potential housing strategies include identifying a dedicated funding source for the ARCH trust fund, using private or public surplus property for affordable housing, employer-assisted housing programs, consistent Eastside housing incentive programs, housing emphasis zones and other strategies to ensure housing in mixed use areas, and smaller innovative homes such as cottages, bungalows, and duplexes in single-family areas.

Arthur Sullivan, ARCH Program Manager, explained that state law enabling the multifamily tax exemption (RCW 84.14) was adopted in 1995 and updated in 2006. The property tax exemption term is for eight or 12 years and must include a public benefit relative to the tax benefit obtained. A 12-year exemption requires that a project include 20 percent affordable housing units. The tax exemption applies only to the multifamily units in areas that demonstrate a mixture of uses. Taxes are still paid on the land and on non-residential uses. Housing that receives an exemption must be located in a city designated, mixed-use Residential Target Area (RTA). The legislation allows local discretion to impose additional guidelines including more stringent affordability. The State defines affordability for higher priced areas, including King County, as low income up to 100 percent of area median income (AMI) for rental, and up to 150 percent of AMI for ownership. Cities must follow specific guidelines for program adoption and administration.

Mr. Sullivan explained that the exemption includes all ad valorem property taxation for the exemption period. The City of Bellevue's valuation is .94 per \$1,000. Ad valorem refers to all forms of property taxes including special levies.

Mr. Sullivan referred to page 3-29 of the Council meeting packet for a table summarizing the use of the multifamily tax exemption in other cities. Seattle and Kirkland started using the multifamily tax exemption before 2006. Seattle's program was adopted in 1998, and in many cases the exemption has been the only incentive utilized for a project. Kirkland's approach was to offer the exemption along with other incentives for affordable housing.

Mr. Sullivan briefly reviewed Attachment 3 [Page 3-31 of meeting packet] which summarizes the exemption provisions, affordability requirements, the definition of Residential Targeted Areas, guidelines for individual projects, and the program adoption process.

He reviewed Attachment 4 [Page 3-37], which outlines key policy issues to be addressed and discretionary components that could be included in a local multifamily tax exemption program:

- Should the incentive be layered with other affordable housing incentives?
- Affordability level and percent of affordable units.
- Target areas within the community.
- Term of affordability for the housing units.
- Affordability requirements for rental versus ownership units.
- Qualifying project size, and
- Program evaluation criteria and process.

Councilmember Davidson would like to move forward with further evaluation of the tax exemption. He feels an approach similar to Kirkland's would be needed, in which this is one of several incentives available to developers.

Responding to Councilmember Chelminiak, Mr. Sullivan said the multifamily tax exemption applies only to new construction.

Deputy Mayor Balducci supports moving forward with additional review of this tool. She noted the complexity of the issue and suggested that staff provide examples to illustrate the policy impacts. She agrees with Dr. Davidson that it will be necessary to use other incentives as well.

Councilmember Noble noted that the Council has been talking about affordable housing for a long time. He supports pursuing further study of this topic, including its potential impact on both cities and school districts. Responding to Mr. Noble, Mr. Sullivan said the legislation was originally introduced within the context of redevelopment in Tacoma and the goal of providing housing as a public benefit. During the past few years, the focus has expanded to encouraging better housing affordability as well.

Councilmember Lee encouraged moving forward with further analysis and discussion of the multifamily tax exemption incentive.

Councilmember Bonincontri stated that the tool is complicated and its effectiveness is unclear. She would like to know which specific program components and policy issues are important to developers in encouraging affordable housing. She suggests learning from other cities about the approach's effectiveness in achieving housing goals.

Mayor Degginger said it would be helpful to be able to understand what type of housing (e.g., price levels, rental versus ownership) would be feasible using the tax exemption in Bellevue. The Council also needs to understand the financial impacts to the City's budget. He would be interested in setting a limit on the maximum dollar amount of all exemptions, in order to be able to plan for overall budget impacts.

Mr. Sullivan distributed examples of printed flyers utilized by ARCH. He reviewed the East King County 2009 housing update providing information on sample salaries relative to the county's median income, as well as average housing sale prices and rental rates. He noted the role of innovative housing types in enhancing affordability including accessory dwelling units (ADU), cottages, duplexes/triplexes, courtyard housing, and townhouses. ARCH has generated more than 500 ADUs in East King County. Mr. Sullivan noted that if all jurisdictions developed ADUs at the rate that has been experienced in Mercer Island, there could be as many as 4,000 ADUs in East King County.

Ms. Balducci said she is interested in further review of accessory dwelling units.

Responding to Dr. Davidson, Mr. Stroh said Bellevue allows attached accessory dwelling units only. Detached units have been more effective in some cities.

(d) Update on Sound Transit Board and Review of East Link Draft EIS Findings

Kim Becklund, Transportation Policy Advisor, provided a brief update on the Sound Transit East Link light rail Environmental Impact Statement (EIS) schedule. On May 14, the Sound Transit Board is expected to take action to identify a preliminary preferred alternative or alternatives based upon information to date. Throughout the remainder of the year, these alternatives will be

advanced to the 15-percent design level. However, all alternatives will be retained under consideration should additional study be warranted. Design work will continue to the 30-percent level through the first half of 2010. Selection of the Sound Transit Board's final preferred alignment is anticipated in the summer of 2010 following issuance of the Final EIS.

At 8:06 p.m., Mayor Degginger declared the meeting adjourned.

Myrna L. Basich
City Clerk

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